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TAGS: [EFIN](#) [EINV](#) [ECON](#) [OECD](#) [IT](#)
SUBJECT: G20: ITALIANS SEE EUROPE DIVIDED ON BANKERS'
COMPENSATION ISSUE

REF: 09 ROME 395

Classified By: Acting Econ Minister Counselor William Meara for reasons
1.5 (b) and (d)

¶1. (SBU) Summary: A senior aide of Italy's Finance Minister told econoff August 31 that in the runup to the next G20 meeting Europeans remain divided on how to regulate compensation of financial sector executives, a point Italians expect to be high on the Pittsburgh agenda. The aide also ventured that the Germans, distracted by their looming election, are unlikely to engage issues and partners vigorously in upcoming pre-G20 talks. End Summary.

¶2. (C) Francesco Galietti, a senior advisor to Italian Finance Minister Giulio Tremonti on August 31 outlined to Econoff the state of play among the big European economies in the run-up to the September 24-25 G20 meeting. Prior to Pittsburgh, the Europeans will have two preparatory events. On September 2, EU Finance Ministers will meet in London and on Sep 17 (to be confirmed) there will be a further EU summit in Brussels to attempt to pull together a common position on regulation of financial sector executive compensation.

¶3. (C) According to Galietti, France is the leading advocate for a compulsory approach for limiting executive compensation, either through absolute caps on salaries, or by forbidding certain compensation package structures, e.g. those that reward excessive risk taking or place too much emphasis on short-term performance. Britain, says Galietti, opposes any compulsory measures. Italy for now is taking the middle ground, having adopted restraints on compensation for executives at Italian banks (seven total) that have benefitted from state assistance, as per under the Tremonti Bonds scheme (REFTEL). Galietti thinks it unlikely Italy will push for measures that go beyond this "soft law" approach; Italian economic policymakers agree that a compulsory system would make it difficult for financial institutions to attract and retain essential top managerial talent.

¶4. (C) The big question mark surrounding pre-G20 European deliberations is Germany, said Galietti. Italians are speculating whether, in view of their Sep 27 elections, the Germans will send senior officials or lower level bureaucrats to the London or Brussels meetings. Notwithstanding the latest Merkel-Sarkozy call for unity behind a proposal with teeth, Italians are uncertain about how much energy and attention German policymakers will give the issue over the coming weeks. For now, Italy intends to let France and Britain and their respective camps fight it out on the

compensation issue, with the hope that they will emerge with a compromise along the lines of the one Italy has implemented at home.

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